The Fertiliser Association of India

FAI House, 10 Shaheed Jit Singh Marg, New Delhi – 110067

Current News

Current news on the latest developments in fertiliser, energy, weather, agriculture, agri-business, logistics, economy, and other related areas

(*The views expressed in the news items are not necessarily of FAI*)

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ENERGY

Cabinet approves Rs 22,594 cr Numaligarh Refinery capacity expansion project

The government Wednesday approved a capacity expansion plan for Numaligarh Refinery in Assam from the existing 3 million metric tonne per annum (MMTPA) to 9 MMTPA at an estimated cost of Rs 22,594 crore.

The project is to be completed within a period of 48 months after the approval and receipt of statutory clearances, Union minister Piyush Goyal told reporters while briefing reporters here.

The Cabinet Committee on Economic Affairs (CCEA), chaired by Prime Minister Narendra Modi, gave its approval to the project for expansion of Numligarh Refinery Assam with capacity to be expanded from 3 MMTPA to 9 MMTPA.

The expansion project involves setting up crude oil pipeline from Paradip to Numaligarh and product pipeline from Numaligarh to Siliguri at a cost of Rs 22,594 crore, he said.

Source: The Economics Times, Thursday, January 17, 2019

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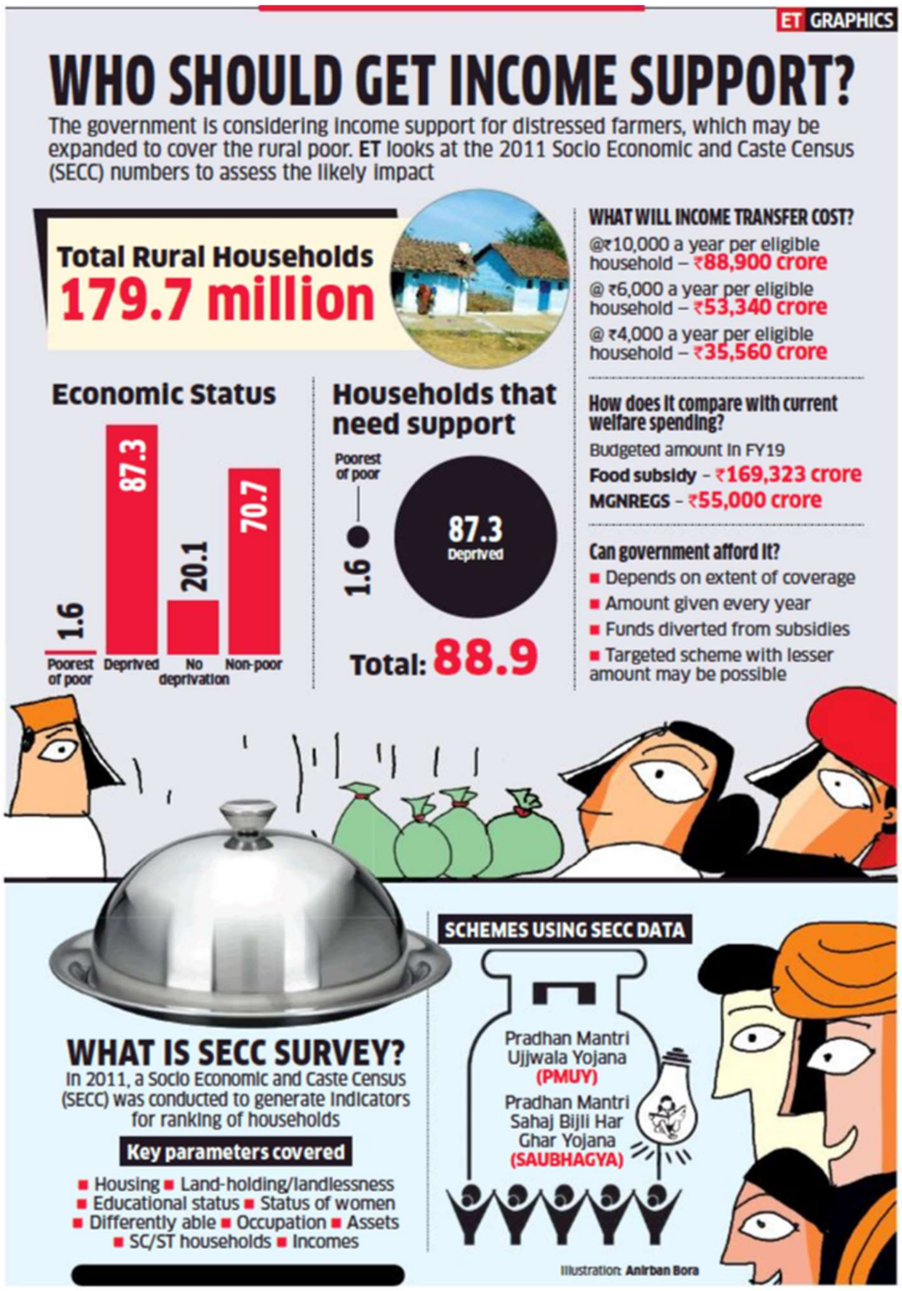
AGRICULTURE

WHO SHOULD GET INCOME SUPPORT?

The government is considering income support for distressed farmers, which may be expanded to cover the rural poor. ET looks at the 2011 Socio Economic and Caste Census (SECC) numbers to assess the likely impact



Source: The Economics Times, Thursday, January 17, 2019

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Rural distress: Farm sector needs an Amul-like solution

For tackling farm distress efficiently, all links in the value chain—from input procurement to mandis—need to function well. Else, the farm-sector Rut continues.

The agrarian challenge is well known in India and the reaction of politicians, economists, and experts is always on target. Yet little seems to be achieved, and after the regular noise for a season or so, it is back to the old ways. Announcements that are made are rarely followed up and there is a big gap between loan waivers announced and allocations made. It is not that there is a magic formula to address the issue as the problems and solutions are well known. Yet, we never seem to be anywhere close to a solution and the same story which we heard two decades back is replayed.

The issue of farm loan waivers is due to farmers not paying their debt service commitment because the crop has either failed or prices have come down, resulting in defaults. There is a farm insurance scheme in place which has not worked because, if it did, this problem would be non existent. Therefore, it is clear that we have not sewn the pieces and have done the usual patchwork which is very typical of our entire policy framework. It is not surprising that there is a lot of apprehension when schemes are announced. This holds for interest rate subvention, e-NAM, repeal of APMC Act, free power and water, subsidies on fertilisers, and so on.

Agriculture is a 'state' subject in our federal structure and hence, while the Central government has its contribution and takes credit for everything good that happens, the flak also comes back to haunt it even though its influence is limited. This is so as some expenses are incurred by the Centre but states have a different mindset when it comes to reforms.

We need to construct a matrix that has to be addressed in a concerted manner much like the production line in a manufacturing concern where the production process is linked with the supply chains and then cemented with a marketing strategy.

There are two steps in agriculture. The first is the pre-harvest stage where farmers need support from the system. This includes procuring inputs which cover high quality seeds like the HYV, fertilisers, pesticides (which came with the Green Revolution) and which are backed by irrigation to ensure that output is protected and productivity enhanced. To enable the same, it is essential to have access to credit or else the farmer has to move to the moneylender.

At this stage, the farmer has two kinds of risks which have to be covered. The volumetric risk which is the size of the crop that gets affected and which should be covered by the insurance policy. This is a major lacuna. The other unknown is price risk where the farmer is not certain of the price at harvest. Here, the arhatiya plays a role in offering a buyback which may be skewed against the farmer, causing adverse comments, but the risk is transferred. Alternatively, an active commodities futures market would work to cover price risk. All this has to be addressed by policy.

Intuitively, it may be seen that the state plays a role here. If there is an insurance scheme which we are committed to, then ideally every farm loan that is disbursed should be covered automatically where the government pays the premium while the farmer's share is deducted from the loan amount and disbursed. By enabling an automatic hedge through banks which can take the price cover on commodity futures exchanges, the circle is complete. This sounds simple but requires mindsets to change to enable it.

The second stage is post-harvest where things go wrong for the farmer. There are challenges in getting the crop to the consumer. There are issues of infrastructure such as roads, connectivity to the mandi, storage, packing and marketing. Unless all these steps are in place, the solution is never attained. e-NAM makes sense only if we are able to connect the farmer to the e-mandi which means connectivity, warehousing and transport to the mandi. Otherwise it is only a partial solution and will not work.

Repealing APMC laws is one thing, but ultimately the farmer requires money immediately and has no other option but to sell at the mandi which is the known place. Putting him in touch with the consumer is feasible as can be seen in case of horticulture which links them to cities. But this has to be made scalable which means all local laws have to be aligned to allow such sales.

Further, while policies talk of MSP and marketing, foreign trade policies have to be integrated by routine. This calls for state intervention to ensure that surpluses are immediately channelled to exports or, alternatively, to the creation of buffers based on a pre-stated policy.

As can be seen in the absence of all these links being tied up, farming will always run the risk of slipping at some stage, leading to distress. For the present, two solutions can be considered. The first is corporate and contract farming with adequate safeguards to ensure farmers get a fair deal and the back-end is tied up. Secondly, the state governments need to get more active and treat it as an industry. Rather than running services like power and transport, agriculture should gain in precedence so that it can start the process of tying up the ends.

In this context, the Amul example merits mentioning to show how a low-value perishable product like milk, being produced by myriad small farmers, has now become an established industry. This was possible because it was treated as an industry with a cooperative set up. The back-end in terms of collection, processing, storage (cold), transportation, packaging, conversion to value-added products and, finally, export has become a seamless chain. Quite clearly, we need to do the same for other products, especially horticulture, to get out of this risk-trap which is now perennial in nature.

The message is that loan waivers or raising MSPs or creating electronic markets, even if implemented, sound good on paper but will never quite provide a complete solution. A holistic view is required to address the concerns. All organs of the government need to work in unison with support taken from cooperatives as well as corporates given the distance to be covered.

Source: Financial Express, Thursday, January 17, 2019

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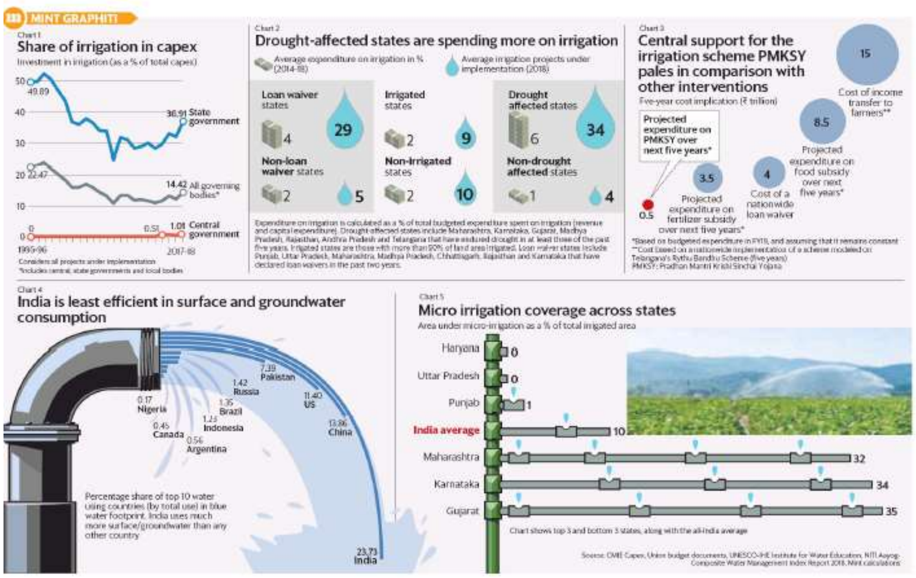
Farmers need irrigation more than poll freebies

Even as debt waivers and farmer-centric doles are announced to tide over farmers' indebtedness, the level of investment in irrigation remains poor

Even as debt waivers and farmer-centric doles are announced to tide over farmers' indebtedness, the level of investment in irrigation remains poor Ahead of Lok Sabha elections, the spotlight has turned on the troubles faced by the farmer. But, even as debt waivers are announced to tide over one farm crisis—that of indebtedness—another crisis—of water scarcity—looms large. Over the past three months, five large states— Madhya Pradesh, Gujarat, Maharashtra, Andhra Pradesh, and Karnataka—have declared drought in parts of their states, and more such announcements could occur in the months ahead.

Less than half (48.8%) of India's farm lands are irrigated. The rest are perennially dependent on the vagaries of the monsoon. The economic survey last year estimated that climate change could reduce annual agricultural incomes by 15-18% on average, and up to 20-25% for unirrigated areas over the long run. Since 2014, investment in irrigation by state governments as well as the Union government has grown, driven by greater spending on irrigation projects in seven drought-hit states: Telangana, Andhra Pradesh, Karnataka, Maharashtra, Madhya Pradesh, Gujarat and Rajasthan.



All these states have suffered from droughts in at least three of the past five years and have therefore, a comparatively higher expenditure on irrigation as well as higher number of projects under implementation . However, even with the recent increased investment, the share of irrigation in overall public sector capex spending is lower than what it was two decades ago. Comparing spending on irrigation with other farm spending shows irrigation does not rank very high amongst the Union government's priorities.

While irrigation is a state subject, the centre supports state irrigation projects through the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY). However, this year's (2018-19) budget for the flagship irrigation scheme stands at ₹94.3 billion, much lower than the budgeted estimates for fertilizer and food subsidies of ₹700 billion and ₹1.7 trillion, respectively. Several studies have shown how India's spending on food and fertilizer subsidies are crowding out much-needed investments in irrigation .

The spending on irrigation also pales in comparison with more populist policy options. A nationwide farm loan waiver is expected to cost as much as ₹4 trillion, while an income transfer in the vein of Telangana's popular Rythu Bandhu Scheme (RBS) is expected to have a cost implication of about ₹15 trillion over the next five years. To be sure, spending on large irrigation projects may not always be very effective given high levels of wastage and inefficient usage of water in such projects. A more sustainable solution could be micro irrigation—smaller irrigation projects that serve an area of less than 2,000 hectares and use water conserving techniques such as drip irrigation. According to the NITI Aayog, micro-irrigation techniques such as drip irrigation can enhance efficiency and therefore farm productivity by over 150%.

Micro-irrigation projects will not just help water reach more farmers but also tackle India's water efficiency problem. As a previous Plain Facts columnhad highlighted, India is extremely inefficient in consuming water. Globally, it has the largest footprint in terms of blue water (surface and groundwater) consumption (chart 4). The PMKSY is trying to address this by providing micro-irrigation to farmers. Since 2015, three million hectares of arable land have come under micro-irrigation projects. However, micro-irrigation coverage as a share of total irrigated land remains below 10% nationwide.

In the major agrarian states of Punjab, Uttar Pradesh and Haryana, this share is less than 1%. As India's groundwater runs out and the threat of climate change increases, farm incomes are likely to become even more volatile than they are now unless there is a radical overhaul of water management practices.

Source: Live mint, Thursday, January 17, 2019

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Why KALIA may be better option than loan waiver in supporting big, small farmers

Even as loan waivers are known to help a small number of farmers, Odisha has come up with a farmer-centric scheme which assists farming on a large and secular scale.

Even as loan waivers are known to help a small number of farmers, Odisha has come up with a farmer-centric scheme which assists farming on a large and secular scale. It comes at a time when a debate on validity of loan waiver is being discussed across the country. KALIA — a farmer-specific scheme launched by the state — includes payments to everyone from big farmers and landless cultivators to farm agricultural labourers.

The scheme name abbreviated for Krushak Assistance for Livelihood and Income Augmentation, launched last month, includes payments to encourage cultivation and associated activities. It completed its first phase of registration on Tuesday.

"Unlike a loan waiver, (through which) banks appease a few farmers, KALIA's main targets are rural activities as a whole. We will support farming on a small scale, sharecropping, fishing, animal herding, which are not covered under bank loans, but are caught in debt traps set up by local moneylenders," an Agriculture Department official told The Indian Express.

The credit available to the farmers is reduced through farm loan waivers, income support in form of this scheme could help to make a repayment or at least activate a bank account which can then receive a loan, he added.

What is KALIA all about?

The scheme provides support of Rs 10,180 crore to cultivators and landless agricultural labourers over the coming three years till FY21. The state government expects the scheme to benefit 92 per cent of the farmers in the state. The farmers will receive Rs 10,000 per family for cultivation and Rs 5,000 will be paid separately in the kharif and rabi seasons, for five cropping seasons between FY19 and FY22.

"The scheme has been made equitable, looking at the best-case/worst-case scenario problems of a small farmer. At the same time, we don't want to target only certain farmers and leave out others; whether you own one acre or five acres, you get the same financial assistance," The Indian Express reported citing the Agriculture Department official.

KALIA targets 10 lakh landless households, and specifically SC and ST families. The families will be supported with a unit cost of Rs 12,500 for activities like goat rearing, mushroom cultivation, beekeeping, poultry farming and fishery, the scheme states.

Besides, the elderly, sick and differently-abled population who are unfit for cultivation are provided Rs 10,000 per household per year. A life insurance cover of Rs 2 lakh and additional personal accident coverage of the same amount for 57 lakh households is also provided in the scheme. The crop loans up to Rs 50,000 are interest-free under the scheme.

Source: Financial Express, Thursday, January 17, 2019

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For 20 years, an annual festival of millets showcases the ‘old crops’
‘Millet farmers too need government support’

On a late winter morning, about 300 women farmers gathered at an agricultural field at Arjun Naik Thanda, a *lambada* hamlet near here, to celebrate ‘old crops’ or millets. After a brief meeting, they joined a rally of ten bullock carts, decorated with traditional art. With seed samples of over 20 varieties of millets in glass showcases displayed on either side of each cart, the convoy starts on a month-long tour of villages.

Beginning on the day of *Sankranti*, which marks the arrival of fresh harvested crops, activists will take the carts to about 30 ‘millet’ villages. “After the convoy completes its trip to a village, farmers from the next village on the schedule will come with their oxen to carry the carts to their village. The idea is to spread the word and celebrate the success stories of millets,” a farmer, manning a cart told *BusinessLine*.

Visitors from France and the United States too joined the inaugural day to study a model farm.

The four-acre plot witnesses a beehive of activity, with the family members of the women farmers displaying millet farming techniques, locally developed grain processing machines, branded ready-to-cook and ready-to-eat millet foods. A bus-load of consumers, who have just begun to consume millets, joined them from Hyderabad to have a feel of how the crops are grown.

The annual festival of ‘old crops’, which is into its 20th edition this year, is aimed at celebrating the revival of crops that are natural to dryland agriculture. “We don’t buy seeds. We don’t buy any inputs. We source all off them among ourselves. We save our seeds not only for the subsequent season but for a couple of more seasons,” said Anjamma, a 60-year-old millet farmer.

Relating her experience over the last 30 years in growing millets, Anjamma says they don’t believe in depleting the land of its vital resources.

With three national awards to her credit, Anjamma belongs to the seed bank team of Deccan Development Society (DDS), which is promoting an ecosystem for millet farming in the area.

Satyanarayana Raju, who is promoting a farmer-consumer network called Beyond Organic in Hyderabad, said he came here with a group of consumers that have invested in about 100 farmers.

What the farmers need is support from the Government. “You see dozens of procurement centres for cotton but there is none for millets. Millet farmers need support,” PV Satheesh, Director of DDS, said.

Source: The Hindu Business Line, Thursday, January 17, 2019

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As mills fail to pay sugarcane FRP, farmers in Maharashtra stake claim to sugar stocks

As sugar mills in the State have failed to pay the Fair and Remunerative Price (FRP) for crushed cane, farmers have staked their claim to sugar stocks in the mills.

Submitting their demand to the Sugar Commissioner, farmers said that each cane grower must get sugar stock according to his pending dues. “Farmers will decide what they want to do with their sugar stock,” said a farmer leader, MP Raju Shetti. Interestingly, the Sugar Commissioner Shekhar Gaikwad said that there was no legal hurdle to fulfil farmers’ demand but they will have to pay GST for sugar.

According to Shetti, it is binding on sugar mills to pay cane farmers after 15 days from the start of crushing season, but two months have passed and mills are not paying farmers the FRP. FRP is a statutory price. The total payable FRP was to the tune of ₹2,500 crore by the end of November according to the government officials.

The FRP is fixed on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) in consultation with State Governments and associations of sugar industry and the cane growers.

“Farmers are ready to accept sugar at the rate of ₹2,900 per quintal the minimum support price for sugar. The Sugar Commissioner must seize sugar stocks from mill godowns and hand it over to farmers. Millers are saying that they cannot pay FRP to farmers because of excess sugar. But many mills which have already sold their stock in the market have not paid dues,” Shetti told reporters.

Excess sugar production and depressed domestic sugar price have led to accumulation of cane price arrears of farmers in sugarcane growing States including Uttar Pradesh, Maharashtra and Karnataka. Even as farmers here have resorted to agitations demanding their dues, the Centre has made it clear that it has limited capacity to help the sugar industry.

Source: The Hindu Business Line, Thursday, January 17, 2019

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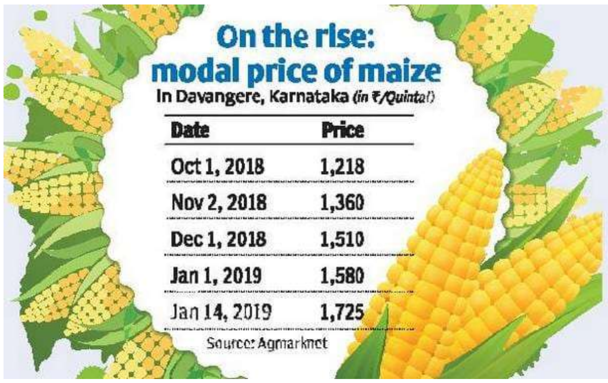
Rising maize prices give the jitters to poultry farmers

Feed manufacturers have asked Commerce Ministry to allow duty free import of corn

Maize prices are on the boil on reports of lower crop in the kharif 2018 season. The infestation of the dreaded pest Fall Army Worm (FAW) (Spodoptera frugiperda), coupled with weak monsoon rains witnessed in key producing States such as Karnataka and Telangana have shrunk the maize output this year.

Maize prices, which hovered around ₹1,100-1,200 a quintal at the beginning of October are now ruling between ₹1,700-1,800 levels across several markets in Karnataka. In fact, the modal maize prices in some markets had crossed ₹1,900.



The Centre had fixed an MSP of ₹1,700 per quintal for maize for the kharif 2018-19 season.

The rising trend in maize prices has brought cheers to the farmers, but has made the consuming industries such as the poultry sector and starch makers jittery, triggering demand for duty-free imports of corn.

The Agriculture Ministry, which had pegged the kharif maize production at 21.47 million tonnes (mt) in its first advance estimates, higher than the previous year's 20.24 mt , is yet to quantify the crop losses arising out of the FAW infestation and drought conditions.

The FAW, which made its presence felt initially in the maize crop in Karnataka's Shimoga district during July-August last year has since expanded its reach to neighbouring States such as Telangana, Andhra Pradesh, Tamil Nadu and Maharashtra.

Last month, Parshottam Rupala, the Agriculture Minister for State told the Parliament that FAW had affected maize crop in approximately 81,000 hectares in Karnataka, 1,740 hectares in Telangana, 1,431 hectares in Andhra Pradesh and 315 hectares in Tamil Nadu.

"Though the yields have been impacted, the farmers are happy with the higher prices this year," said Chandrakant Sangur, a farmer in Haveri district. However, the prices could reverse the trend if imports are allowed. For the past couple of years, farmers have been impacted by lower maize prices, he said.

The poultry sector is already feeling the heat of rising maize prices. Also, soya prices have been firming up resulting in higher feed costs for the poultry players. "Imports are an immediate solution in the short term, but in the long-term the thrust should be on increasing productivity, while diversifying into newer areas -- mainly the eastern parts of the country and also in the traditional rice and wheat belts," said Raghavan Sampathkumar, Executive Director, Compound and Livestock Feed Manufacturers Association (CLFMA) of India.

CLFMA has already submitted a memorandum to the Commerce Ministry seeking duty free imports of corn. "If the Centre allows imports, we expect at least one million tonne of corn to be imported this year," said B Soundararajan of Suguna Holdings Pvt Ltd

But the industry may find sourcing non-genetically modified corn a challenge in the global market. Analysts said the trade has to look at sources like Ukraine and Africa to source non-GM corn. Soundararajan said rising feed prices has resulted in an increase in production cost of ₹4 per kg for chicken, which some players are passing it on to consumers.

However, in the case of eggs, the poultry players are unable to pass on the hike due to higher supply in the market.
Ashok Kumar of MAA Integrators said the feed makers have stocked up to meet their immediate requirements for the next 2-5 months and that a clearer picture will emerge by April-May when the rabi crop hits the markets.

Already, the rabi sowing of maize is down by around a tenth, in line with the broader trend on account of poor soil moisture levels owing to weak monsoon. Maize has been planted in 13.61 lakh hectares till January 11 as against 15.14 lakh hectares in corresponding last year.

Source: The Hindu Business Line, Thursday, January 17, 2019

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ECONOMY

Companies can raise $750 mn yearly via external commercial borrowings: RBI

The minimum maturity profile of the ECBs should be three years, except certain cases

The Reserve Bank of India (RBI) on Wednesday allowed entities that are eligible to receive foreign direct investment (FDI) to raise external commercial borrowings (ECBs), by enabling them to raise funds through automatic route up to $750 million per year. The ECBs raised would be within the overall cap set by the regulator on December 20 last year — at 6.5 per cent of gross domestic product. The limit worked out to $160 billion, against the total outstanding ECB stock of $126.29 billion as on September 30, 2018.

The minimum maturity profile of the ECBs should be three years, except certain cases. The all-in-cost remains unchanged at London Interbank Offered Rate (Libor) plus 450 basis points.

For rupee-denominated bonds, the maximum spread would be 450 basis points per annum over the prevailing government bond yield.

Earlier, there were sector wise limits about how much a company under a particular sector can raise. Companies raise ECB money under automatic route and approval route. Under automatic route, a company doesn't need to take permission of the RBI, whereas for the later, prior approval has to be taken.

The proceeds will have to be parked overseas, pending utilisation for permissible end-uses, the RBI said.

Source: Business Standard, Thursday, January 17, 2019

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RBI may take dovish stance in February policy with softer inflation

The inflation based on the Consumer Price Index (CPI) eased to an 18-month low of 2.19 per cent in December compared to 2.33 per cent in November and 5.21 per cent in December 2017.

With softer retail and wholesale price-based inflation, Reserve Bank of India is likely to change its policy stance from ‘neutral’ from ‘calibrated tightening’ in the February policy, says a report. The inflation based on the Consumer Price Index (CPI) eased to an 18-month low of 2.19 per cent in December compared to 2.33 per cent in November and 5.21 per cent in December 2017.

The Wholesale Price Index (WPI)-based inflation also eased to a eigth-month low of 3.80 per cent in December 2018, as against 4.64 per cent in November 2018, and 3.58 per cent in December 2017. This is the fifth consecutive month that the CPI reading has been below the RBI’s target of 4 per cent.

“Benign headline inflation to provide a dovish tilt to monetary policy committee (MPC). Softer December CPI and WPI prints of 2.2 per cent and 3.8 per cent, respectively reaffirm our belief that the MPC will adopt a more dovish tone in the February meeting and change its stance to neutral from calibrated tightening,” according to a Kotak research report.

RBI will announce it’s sixth bi-monthly monetary policy on February 7. The report expects CPI at around 3.3 per cent in March 2019. It said concerns, however, remain about the stickiness of core inflation, especially at a time when growth is expected is slow to 6.6 per cent in the second half of FY19.

“While volatile crude oil prices and concerns on fiscal slippage may warrant some caution, the seemingly structurally benign food inflation along with softening growth should help in capping the upside pressures,” it said. The report expect a 50 basis points of rate cut in the first half of 2019. In the previous monetary policy announced in December, RBI kept the repo rate unchanged at 6.5 per cent.

Source: Financial Express, Thursday, January 17, 2019

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